

Message Text

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ACTION MMO-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
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STR-07 CEA-01 ACDA-12 DOTE-00 ITC-01 AGRE-00
INT-05 DOE-15 SOE-02 DODE-00 /142 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4745

UNCLAS SECTION 01 OF 02 LONDON 05160

E.O. 11652: N/A
TAGS: BEXP, UK
SUBJECT: ECONOMIC ALERT LIST
SHORT AND MEDIUM FORM PROSPECTS FOR THE OFF-
SHORE SUPPLY INDUSTRY AND NEW PLATFORM ORDERS
WON BY BRITISH FABRICATORS.

REF: EMBASSY'S 12118 OF JULY 22, 1977 AND PREVIOUS

SUMMARY: SHORT AND MEDIUM PROSOECTS FOR CONTINUED
RAPID DEVELOPMENT OF THE U.K. OFFSHORE SECTOR ARE EX-
CELLENT. DRILLING ACTIVITY CONTINUES TO BE BRISK. ONE
U.S. SUOPLIER REPORTS THAT HIS ORDER BOOKS (PRIMARILY
FOR DRILLING EQUIPMENT AND ACCESSORIES), ARE FULL THR-
OUGH 1979. CONSTRUCTION ACTIVITY OVER THE OAST 12
MONTHS HAS BEE LESS NOTEWORTHY, HOWEVER, PLATFORM ORDER
EXPECTED FOR PLACEMENT IN 1978 AND 1979 ARE SUBSTANTIAL
(SEE PART 11). OSO'S PRESSURES TO "BUY BRITISH" IN
CASES WHERE AN EQUIVALENT BRITISH PRODUCT IS AVAILABLE
MAY HAVE DETERRED U.S. EXPORTERS TO SOME DEGREE AND
HAVE ENCOURAGED U.S. FIRMS TO SET UO MANUFACTURINQ
FACILITIES IN THE U.K. DESPITE THIS, HOWEVER, IMOORTS
FROM THE U.S. SEEM TO HAVE CONTINUED AT A HIGH LEVEL,
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THOUGH HOW HIGH IS DIFFICULT TO QUANTIFY IN THIS
DIFFUSE SECTOR. END SUMMARY.

1. SHORT, MEDIUM TERM PROSPECTS:
PROSPECTS FOR THE SHORT AND MEDIUM TERM DEVELOPMENT OF
THE U.K. OFFSHORE SECTOR DEPEND OBVIOUSLY, ON A HIQH
DEGREE OF EXPLORATION ACTIVITY AND HIGH INVESTMENT

RATES. THERE ARE NO SIGNS THAT THESE ARE FLAGGING.
 U.S. EQUIPMENT SUPPLIERS REPORT BRISK BUSINESS NOW WITH
 FULL ORDER BOOKS UP TO, AND IN MANY CASES, THROUGH 1979.
 COMPANIES HAVE, TO DATE, SPENT SOME \$19 BILLION IN
 EXPLORATION, FIELD ASSESSMENT, PRODUCTION AND OIPELINE
 SYSTEMS, OIL AND GAS TERMINALS AND DOWNSTREAM DEVELOO-
 MENT. LOCAL SOURCES ESTIMATE THAT PLATFORM INSTALLATION
 AND DEVELOPMENT DRILLING WILL HIT A PEAK FROM 1979
 THROUGH 1982, THAT \$7 BILLION WILL BE EXPENDED THROUGH
 1982 AND AN ADDITIONAL \$5 BILLION THROUGH 1987.

STATISTICS ON U.S. EXPORTS TO THE U.K. OFFSHORE SECTOR
 ARE HARD TO COME BY. HMG OVERSEAS TRADE STATISTICS
 ARE MADE UP OF 18 STATISTICAL CATEGORIES ONE OF WHICH,
 HEADED "MACHINERY FOR SPECIAL INDUSTRIES AND PARTS",
 COMPRISES 16 SUB-CATEGORIES, AMONG WHICH ARE A) DRILLIN
 MACHINERY AND B) SUBMERSIBLE PLATFORMS. IT ALSO
 INCLUDES ITEMS LIKE PRINTING, GRAPHIC ARTS EQUIPMENT,
 FOOD PROCESSING EQUIPMENT, EQUIPMENT FOR THE CONSTRUC-
 TION INDUSTRY ETC. THERE ARE NO FURTHER BREAKDOWNS OF
 A) AND B) UNDER COUNTRY OF ORIGIN. THE CATEGORY OF
 MACHINERY FOR SPECIAL INDUSTRIES AND PARTS SHOWS THE
 FOLLOWING:

PD 000,000			
TOTAL UK IMPORTS		US SHARE	PERCENTUS SHARE
1972	105	22	21.0

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1977	806	106	13.2
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THESE STATISTICS DO NOT COVER POWER GENERATING MACH-
 INERY, TELECOMMUNICATIONS, SHIPS (INCLUDING MSV'S),
 FLOATING STRUCTURES AND ALL OTHER EQUIOMENT IMOORTED
 FOR OFFSHORE USAGE, NOR DO THEY COVER EQUIPMENT WHICH
 IS SHIPPED DIRECTLY OUT TO NORTH SEA PLATFORMS AND
 RIGS. THESE ARE OLACED IN A SEOARATE CATEGORY AND
 THERE IS NO BREAKDOWN AVAILABLE BY COUNTRY OF ORIGIN.
 U.S. SALES IN SOME OF THESE CATEGORIES, EXCLUDING
 SHIPS ARE BELIEVED TO BE CONSIDERABLE.

AS POINTED OUT IN REF TELEGRAM, U.K. COMOANIES WON 57
 OF ORDERS PLACED FOR OFFSHORE EQUIOMENT IN 1976. 1977
 BREAKDOWNS ARE NOT EXPECTED BEFORE MAY 1978, HOWEVER,
 IT APPEARS THAT STATISTICS FOR THE YEAR 1977 WILL SHOW
 A VALUE OF ORDERS CONSIDERABLY IN EXCESS OF 1976.

3. NEW ORDERS WON BY BRITISH FABRICATORS:
 THE FOLLOWING ORDERS FOR NEW PLATFORMS IN THE U.K. OFF-
 SHORE SECTOR OF THE NORTH SEA, WERE PLACED IN 1977:
 FIELD PLATFORM CONSTRUCTORS
 A. MURCHISON MCDERMOTT (UK SUBSIDIARY OF US FIRM)

EXPECTED INSTALLATION: 1979

B. NINIAN HIGHLAND FABRICATORS (UK)

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EXPECTED INSTALLATION: 1978

C. TARTAN 1. REDPATH, DORMAN LONG (UK)

2. UIE (FRENCH), LE HAVRE

EXPECTED INSTALLATION: 1979

THE FOLLOWING ORDERS MAY BE ANTICIPATED FOR 1978:

A. FULMAR - ONE OR TWO STEEL PLATFORMS -

CUSTOMER: SHELL

B. BUCHAN - BUOYANT (SEMI-SUBMISSIBLE SYSTEM) -

CUSTOMER: BP

C. HUTTON - SEMI-SUBMISSIBLE OR TETHERED LEG -

CUSTOMER: MOBIL/CONOCO

THE FOLLOWING ORDERS LOOK POSSIBLE FOR 1979:

A. BEATRICE: FOUR LIGHT STEEL OLATFORMS WITH ASSOCI-

ATED FOUR STRUCTURES ARE ENVISAGED BUT

THERE ARE MANY COMPLICATIONS. PRESENTLY

IN USE IS A BARGE RIQ TO DRILL THROUQH

TIN PLATES

- CUSTOMER: MESA GROUP

B. MAGNUS: - CUSTOMER: BP

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C. CORMORANT: STEEL PLATFORM- CUSTOMER: SHELL/ESSO
IN ADDITION TO NORTH SEA AND WEST-OF-SHETLANDS DRILLING
(LONDON 2731), SOME ACTIVITY IS EXPECTED IN GAS DRILLING
IN THE FORM OF TWO LIGHT JACKETS FOR THE SOUTHERN
BASIN (EAST ANGLIA). THE ALREADY MUCH-DISCUSSED GAS
GATHERING SYSTEM IN THE NORTH SEA IS STILL UNDER DIS-
CUSSION WITH SHELL, BNOC, AND GGP EACH WORKING ON THEIR
OWN CONCEPTUAL DESIGNS (77 LONDON 20267). PRESENT
ESTIMATES ARE THAT FULLSCALE INVESTMENTS PRIOR TO
1985 ARE UNLIKELY.

IN VIEW OF RECENT MESSAGE ON REVISED EAL REQUIREMENTS,
EMBASSY PROPOSES THAT FUTURE REPORTS ON THIS SUBJECT
BE ON A SPOT-REQUEST BASIS.
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